

eCommerce

*Merging eCommerce
and the Supply Chain*

● Merging eCommerce and the Supply Chain

Presented by

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FedEx e Supply Chain Services

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Agenda

FedEx Corporation Overview

A Networked Economy

Key Business Trends

FedEx's eSupply Chain

Perspective

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Questions

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FedEx Corporation Overview



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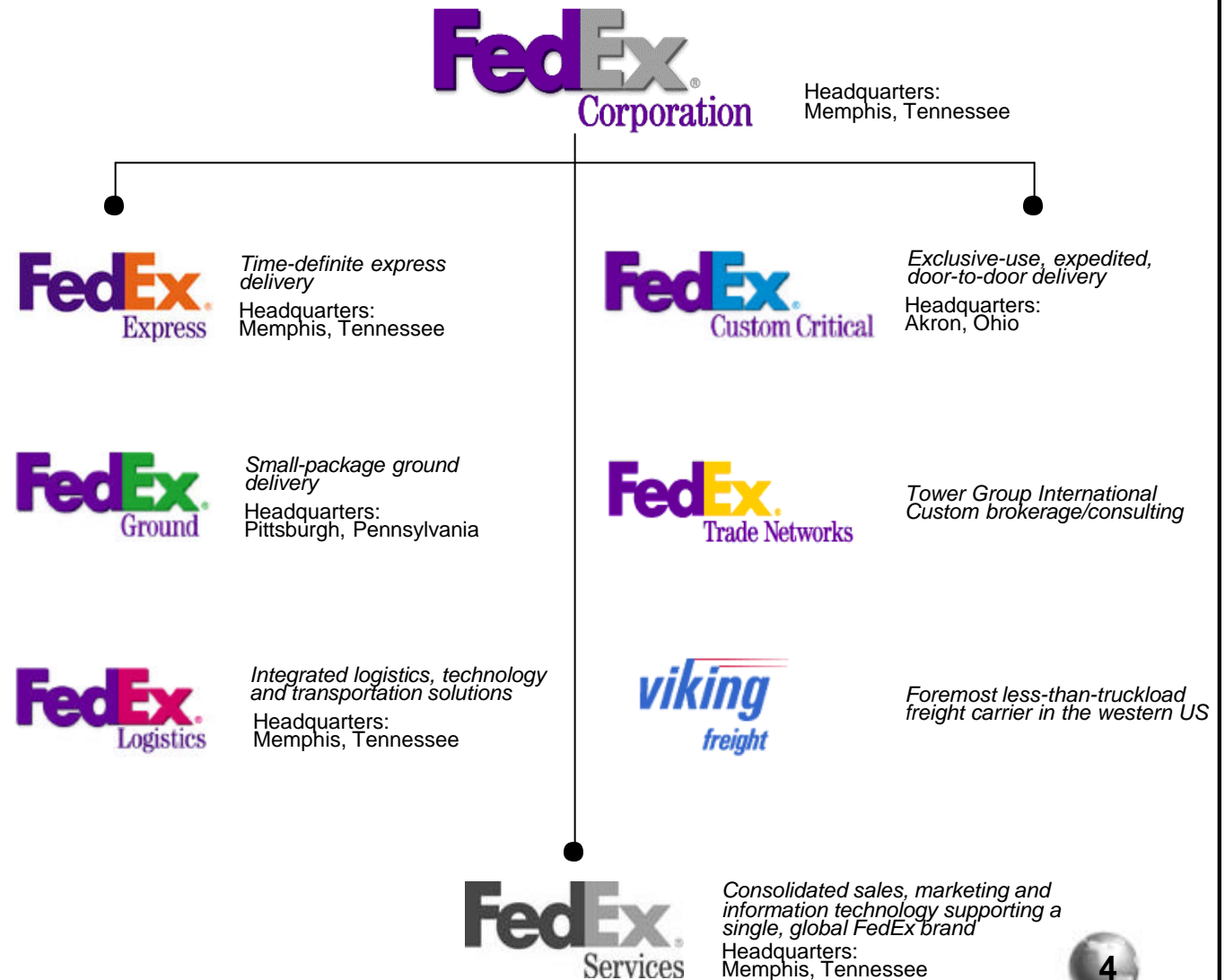
Case Study Examples

Summary

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Who is FedEx Corporation?



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FedEx Corporation Overview

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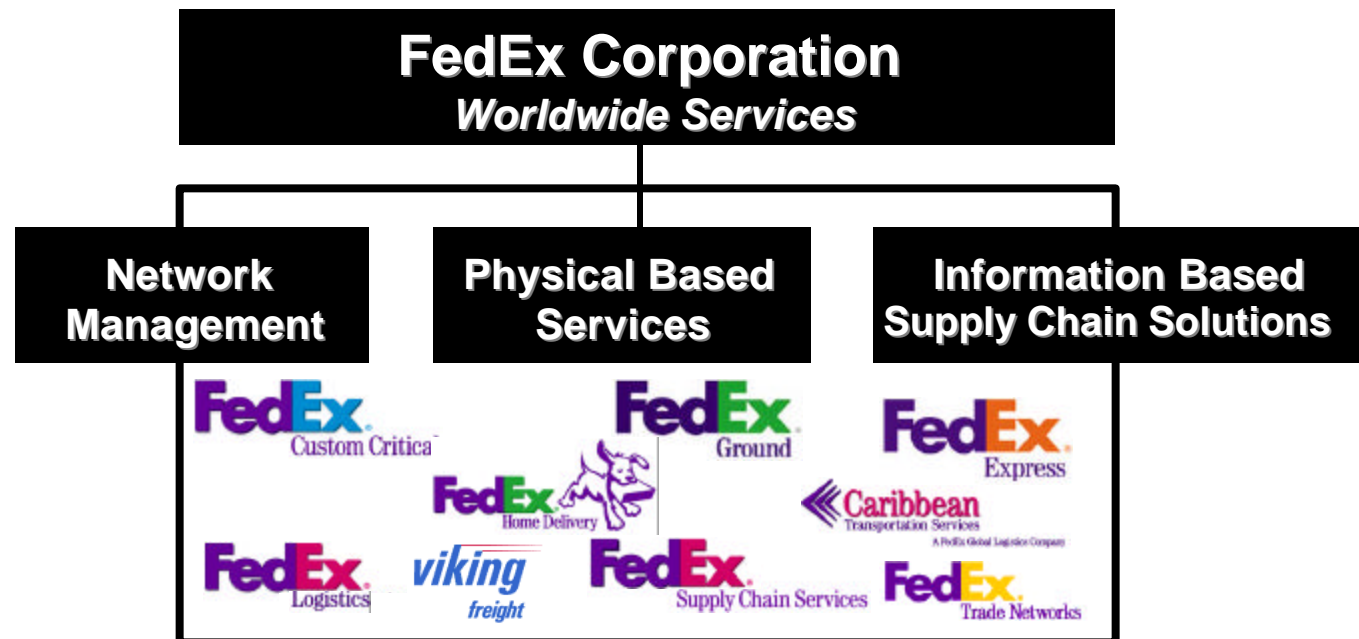
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FedEx Corporation Provides...



- Transportation to and from 90% of the world's GDP
- Complete management of related information and logistics services

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A Networked Economy - Key Business Trends



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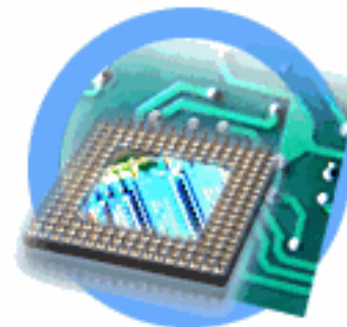
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Summary

Key Business Trends

Three major trends shaping a “networked economy”

- Providing fast, global reach
- Speeding the supply chain
- Conducting business electronically



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Key Business Trends

Fast, Global Reach

- World's economy has become more fully integrated (a 'business without borders' environment)
- Ability to source and sell globally is a critical success factor
- Framework for global commerce is essential



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Key Business Trends

Speeding the Supply Chain

- **Fast-cycle logistics is increasing as companies of all sizes discover the power of supply chain velocity**
- **Information-intensive services will power the supply chain**
- **Ability to manage inventory at rest while managing inventory in motion is an intricate step of the supply chain**
- **Adding value, visibility and velocity throughout the supply chain will be expected**



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Key Business Trends

Conducting Business Electronically

- Electronic commerce in general is the best way to minimize time and distance
- Convenience, accessibility, connectivity, and reliability are the prerequisites of conducting business electronically
- Business-to-business e-commerce is the largest growing segment of this trend (estimated to top \$100 billion in sales this year and exceed the trillion-dollar sales mark by 2003)

- *Forrester Research 1999*



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FedEx's eSupply Chain Perspective

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eSupply Chain Management

What is it?

The coordination and movement of products,
information and currency from the *suppliers'*
suppliers through manufacturing to the
customers' customers

Suppliers



Manufacturers



Distributors



Retailers



Consumers



- A cross-functional business process
- Increasingly driven from the right to the left, from the consumer and customer to the supplier and manufacturer
- Competitive focus is no longer a product vs. product, but rather supply chain vs. supply chain



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eSupply Chain Management What is the value?

- **Richmark study respondents expect supply chain solutions:**
 - To drive savings of 3-6% of revenue
 - Are willing to invest 18-25% of these savings over 3-5 years
 - Are willing to invest \$10M annually for operations
- **Additionally, a PRTM study finds for mid-market companies (typical - \$500M revenue):**
 - \$5-15M in annual supply-chain cost reduction benefits
 - 10-15% improvement in on-time commitment performance
 - 12-40% increased volume flexibility



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Response to the Marketplace



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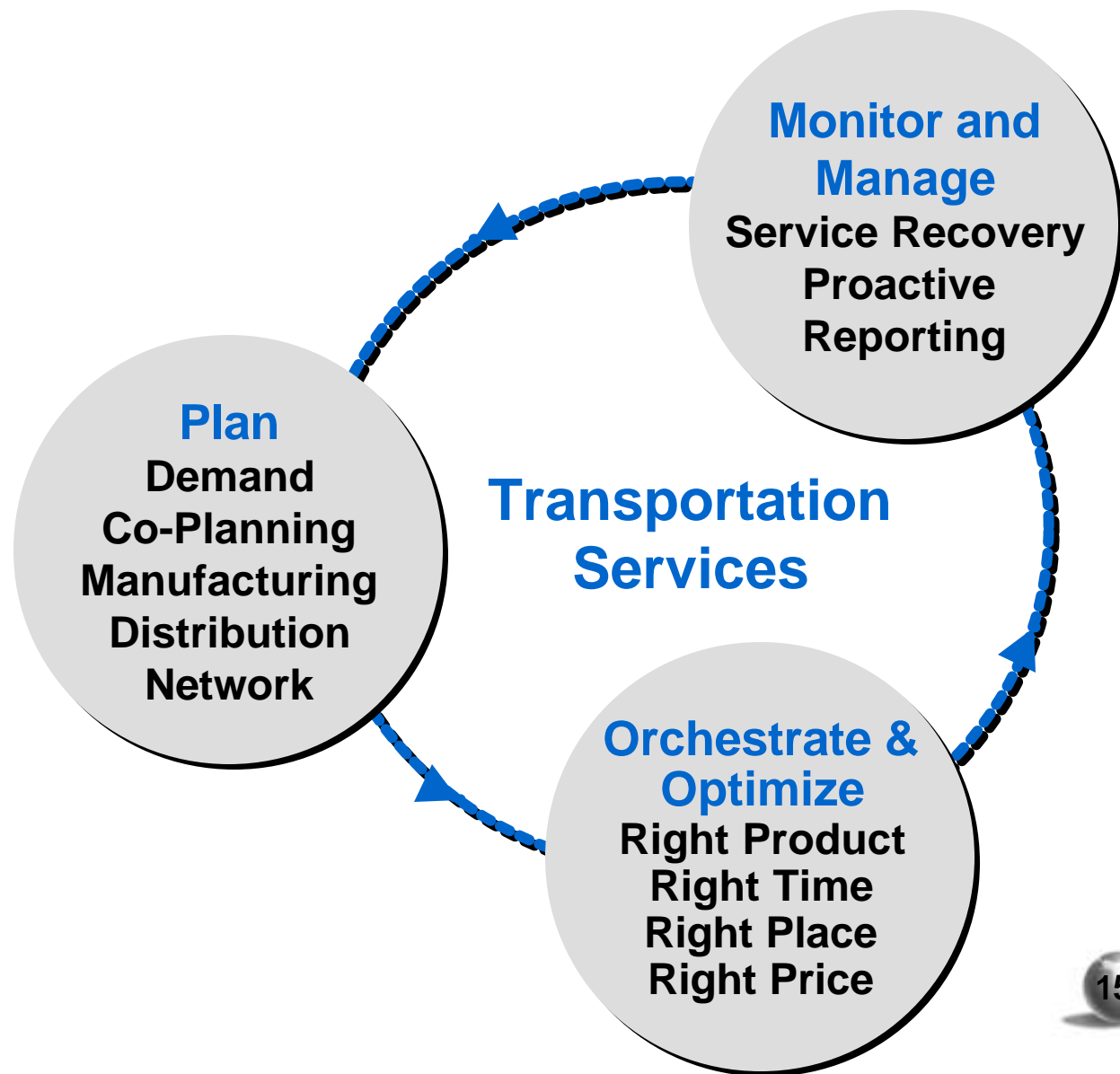
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FedEx eSupply Chain Approach



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FedEx eSupply Chain Approach *Plan*

- **Two approaches**
 - Integration of **planning software** tools with **visibility**
 - **Collaborative planning** applications and services for mid-market companies
- **Need addressed**
 - To balance supply and demand
- **Value**
 - Planning collaboration results in more demand-responsive, accurate forecasts and production schedules (this improves order fill rate, delivery performance, and reduces inventory)



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FedEx eSupply Chain Approach *Orchestrate and Optimize*

- The ability to **time-phase the express and non-express distribution of products and orders on a global basis.** “The right product at the right place at the right time.”
- **Need addressed**
 - To optimize supply chain performance
- **Value**
 - One source coordination that optimizes pick location, mode selection, carrier selection and management, international trade, and warehouse activities
- **DCSS components**
 - Order Management System
 - Warehouse Management System
 - Multi-Carrier Shipment Automation
 - Trade Compliance Expertise
 - Transportation Management and Optimization
 - Merge-in-Transit Capabilities
 - Multiple Processing Facilities
 - Billing & Invoicing
 - Web Enablement

*A customer is able to
provide on-time
delivery commitment
to their customer at
time of order and
coordinate the
shipment with other
components to arrive
at the same time.*



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FedEx eSupply Chain Approach *Monitor and Manage*

- Ability to **view in-transit and static inventory** and order status, coupled with **real-time exception alerts**. Provides monitoring services with **proactive recovery** and ongoing metrics for continuous improvement.
- **Need addressed**
 - To know what is happening across the supply chain; to access and share data across the supply chain
- **Value**
 - Less reliance on inventory, improved customer service and retention
- **DCSS Components**
 - GIV
 - SC3
 - FedExNet²
 - Customer service

A customer is informed by their FedEx Command & Control Monitor that her order is in jeopardy due to a freight forwarder error. Shipment is diverted to another transportation mode or carrier. Shipment is on time. Plan integrity is maintained.

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How is the customer using eCommerce?

EDI - INT

Before



Solution/Challenge

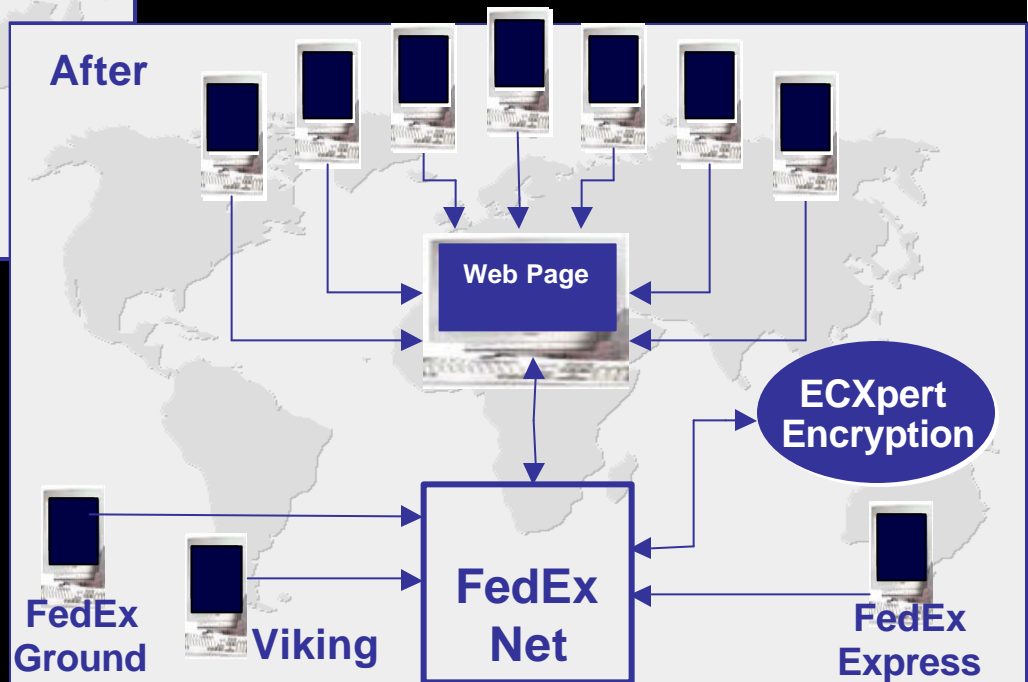
- Enable customers to trace orders from inception to delivery via customer web page
- Populate customer order system and web page with secure shipment data linked to customer order number

Benefits

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Customer

- Eliminates approximately 40% of the tracing calls received by customer each day (13,000 total - all carriers)
- Reduces FedEx customer service calls
- Improved asset utilization (FedExNet)
- Breathes life into FedEx synergistic value proposition

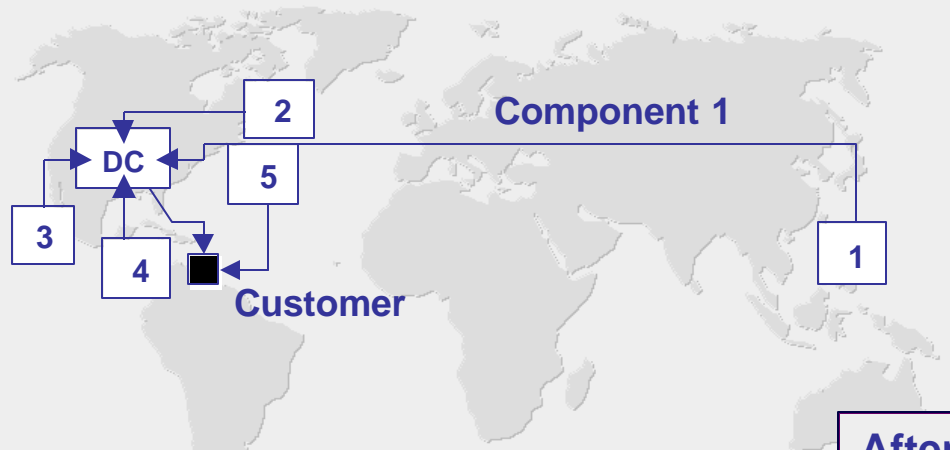
After



How is the customer using eCommerce?

Orchestrated Delivery Management

Before



Total days in transit and awaiting installation = 24

Benefits

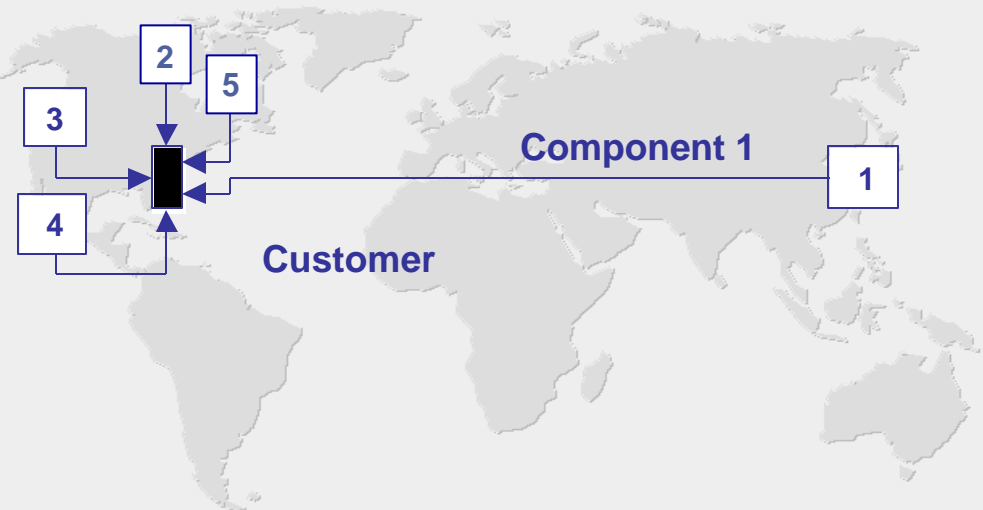
Customer

- Growth without additional infrastructure
- Inventories cut
- Cash flow accelerated

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- Unique (turnkey) replicable solution
- Consultation fees
- Incremental transportation volume

After



Total days in transit and awaiting installation = 5

Solution/Challenge

- Reduce global inventory
- Reduce circuitous shipments and transit miles
- Global merge

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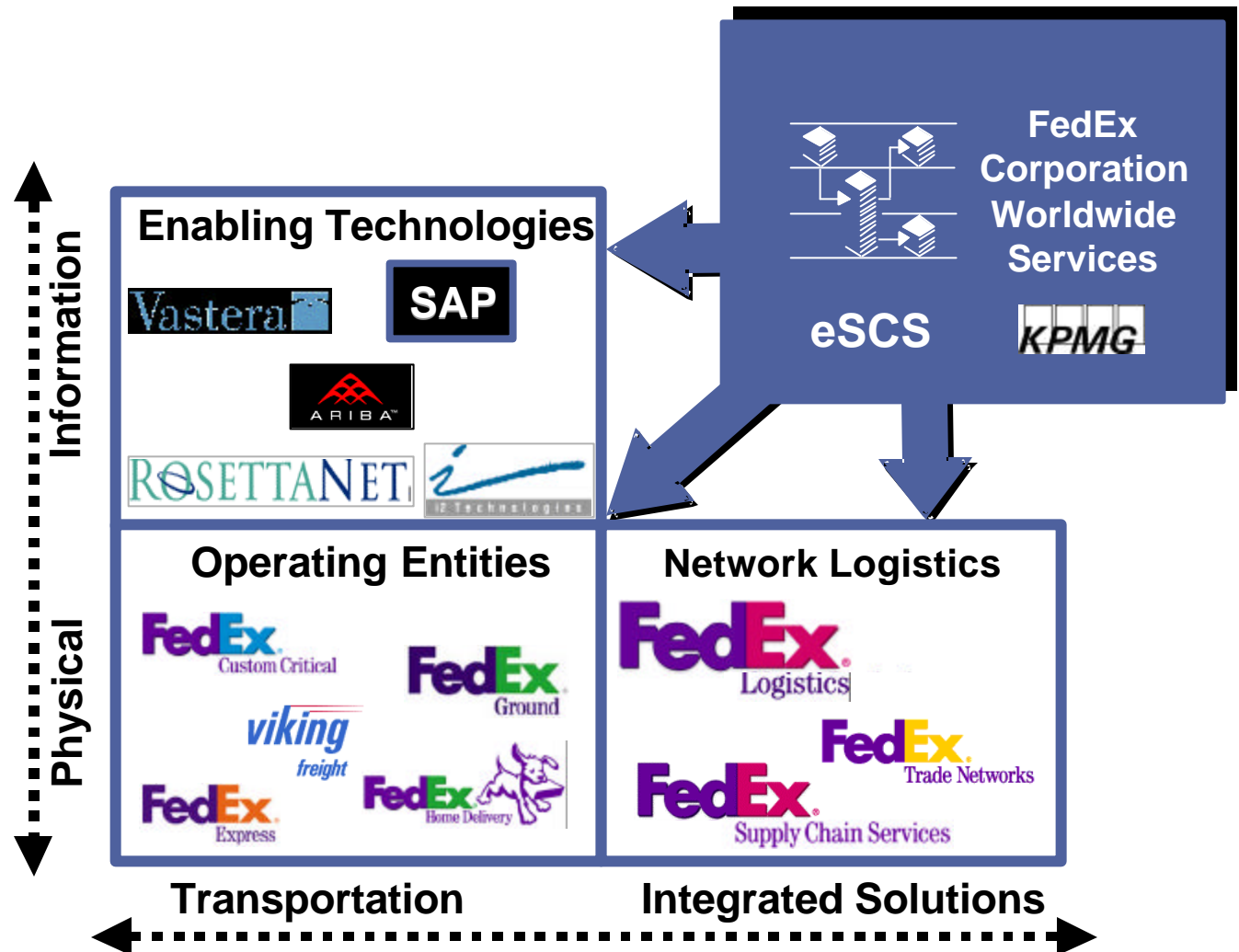
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FedEx Solution Engine



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Thank
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6 Questions

